

House File 641

S-3247

1 Amend House File 641, as amended, passed, and
2 reprinted by the House, as follows:

3 1. By striking everything after the enacting clause
4 and inserting:

5 <Section 1. NEW SECTION. 15J.1 **Short title.**

6 This chapter shall be known and may be cited as the
7 "*Iowa Reinvestment Act*".

8 Sec. 2. NEW SECTION. 15J.2 **Definitions.**

9 As used in this chapter, unless the context
10 otherwise requires:

11 1. "*Board*" means the same as defined in section
12 15.102.

13 2. "*Commencement date*" means the date established
14 for each district by the board under section 15J.4,
15 subsection 3, upon which the calculation of new state
16 sales tax and new state hotel and motel tax revenue
17 shall begin under section 15J.5 for deposit in the
18 fund.

19 3. "*Department*" means the department of revenue.

20 4. "*District*" means the area within a municipality
21 that is designated a reinvestment district pursuant to
22 section 15J.4.

23 5. "*Fund*" means the state reinvestment district
24 fund created in section 15J.6.

25 6. "*Governing body*" means the county board of
26 supervisors, city council, or other body in which the
27 legislative powers of the municipality are vested.

28 7. "*Municipality*" means a county or an incorporated
29 city.

30 8. "*New lessor*" means a lessor, as defined in
31 section 423A.2, operating a business in the district
32 that was not in operation in the area of the district
33 before the effective date of the ordinance establishing
34 the district, regardless of ownership. "*New lessor*"
35 also includes any lessor, defined in section 423A.2,
36 operating a business in the district if the place of
37 business for that business is the subject of a project
38 that was approved by the board.

39 9. "*New retail establishment*" means a business
40 operated in the district by a retailer, as defined in
41 section 423.1, that was not in operation in the area of
42 the district before the effective date of the ordinance
43 establishing the district, regardless of ownership.
44 "*New retail establishment*" also includes any business
45 operated in the district by a retailer, as defined in
46 section 423.1, if the place of business for that retail
47 establishment is the subject of a project that was
48 approved by the board.

49 10. "*Project*" means a vertical improvement
50 constructed or substantially improved within a district

1 using sales tax revenues and hotel and motel tax
2 revenues received by a municipality pursuant to this
3 chapter.

4 11. "*State hotel and motel tax*" means the
5 state-imposed tax under section 423A.3.

6 12. "*State sales tax*" means the sales and services
7 tax imposed pursuant to section 423.2.

8 13. "*Substantially improved*" means that the cost of
9 the improvements are equal to or exceed fifty percent
10 of the assessed value of the property, excluding the
11 land, prior to such improvements.

12 14. "*Vertical improvement*" means a building that is
13 wholly or partially above grade and all appurtenant
14 structures to the building.

15 Sec. 3. NEW SECTION. 15J.3 **Preapplication process.**

16 The board may establish by rule a preapplication
17 process to provide information related to the
18 requirements of this chapter, to determine the interest
19 of municipalities in establishing districts under this
20 chapter, and to assist municipalities in preparing a
21 proposed district plan.

22 Sec. 4. NEW SECTION. 15J.4 **District establishment**
23 **— approval.**

24 1. A municipality that has an area suitable for
25 development within the boundaries of the municipality
26 is eligible to seek approval from the board to
27 establish a reinvestment district under this section
28 consisting of the area suitable for development. To be
29 designated a reinvestment district, an area shall meet
30 the following requirements:

31 a. The area consists only of parcels of real
32 property that the governing body of the municipality
33 determines will be directly and substantially benefited
34 by development in the proposed district.

35 b. The area is in whole or in part either an
36 economic development enterprise zone designated under
37 chapter 15E, division XVIII, or an urban renewal area
38 established pursuant to chapter 403.

39 c. The area consists of contiguous parcels and does
40 not exceed twenty-five acres in total.

41 d. For a municipality that is a city, the area does
42 not include the entire incorporated area of the city.

43 e. The area is not located in whole or in part
44 within another district established under this chapter.

45 2. Prior to submission to the board for approval
46 under subsection 3, a proposed district plan shall be
47 developed and approved by resolution of the governing
48 body of the municipality. The proposed district plan
49 shall state the governing body's intent to establish
50 a district. The proposed district plan shall also

1 include all of the following:

2 *a.* A finding by the governing body that the area
3 in the proposed district is an area suitable for
4 development.

5 *b.* A legal description of the real estate forming
6 the boundaries of the area to be included in the
7 proposed district along with a map depicting the
8 existing parcels of real estate located in the proposed
9 district.

10 *c.* A list of the names and addresses of the owners
11 of record of the parcels to be included in the proposed
12 district.

13 *d.* A list of all projects proposed to be undertaken
14 within the district, a detailed description of those
15 projects, and a project plan for each proposed project.
16 Each project plan shall clearly state the estimated
17 cost of the proposed project, the anticipated funding
18 sources for the proposed project, the amount of
19 anticipated funding from each such source, and the
20 amount and type of debt, if any, to be incurred by the
21 municipality to fund the proposed project, and shall
22 include a proposed project feasibility study conducted
23 by an independent professional with expertise in
24 economic development and public finance. The project
25 plan for the project that proposes the largest amount
26 of capital investment among all proposed projects
27 within the district shall include an estimate of
28 the date that construction of the project will be
29 completed and of the date that operations will begin
30 at the project. The feasibility study shall include
31 projections and analysis of all of the following:

32 (1) The amount of gross revenues expected to
33 be collected in the district as a result of the
34 proposed project for each year that the district is in
35 existence.

36 (2) A detailed explanation of the manner and extent
37 to which the proposed project will contribute to the
38 economic development of the state and the municipality,
39 including an analysis of the proposed project's
40 economic impact. The analysis shall include the same
41 components and be conducted in the same manner as the
42 economic impact study required under paragraph "e".

43 (3) An estimate of the number of visitors or
44 customers the proposed project will generate during
45 each year that the district exists.

46 (4) A description of the unique characteristics of
47 the proposed project.

48 *e.* An economic impact study for the proposed
49 district conducted by an independent economist retained
50 by the municipality. The economic impact study shall,

1 at a minimum, do all of the following:
2 (1) Contain a detailed analysis of the financial
3 benefit of the proposed district to the economy of the
4 state and the municipality.
5 (2) Identify one or more projected market areas in
6 which the district can reasonably be expected to have a
7 substantial economic impact.
8 (3) Assess the fiscal and financial impact of the
9 proposed district on businesses or on other economic
10 development projects within the projected market area.
11 3. a. The municipality shall submit a copy of
12 the resolution, the proposed district plan, and all
13 accompanying materials adopted pursuant to this section
14 to the board for evaluation. The board shall not
15 approve a proposed district plan if the application is
16 submitted after July 1, 2018.
17 b. The board shall evaluate each municipality's
18 proposed district plan and accompanying materials and
19 shall approve the district plan and establishment of
20 the district if the board determines that, in addition
21 to other criteria established by the board by rule, all
22 of the following conditions are met:
23 (1) The area of the municipality proposed to be
24 included in the district meets the requirements of
25 subsection 1.
26 (2) The projects proposed to be undertaken in
27 the district are of a unique nature and will have a
28 substantial beneficial impact on the economy of the
29 state and the economy of the municipality.
30 (3) The proposed funding sources for each proposed
31 project are feasible.
32 (4) At least one of the projects proposed to
33 be undertaken in the district includes a capital
34 investment of at least ten million dollars.
35 (5) The total amount of proposed funding from
36 state sales tax revenues and state hotel and motel tax
37 revenue to be remitted to the municipality from the
38 state reinvestment district fund under section 15J.6
39 for all proposed projects in the proposed district plan
40 does not exceed thirty-five percent of the total cost
41 of all proposed projects in the proposed district plan.
42 (6) The amount of proposed capital investment
43 within the proposed district related to retail
44 businesses in the proposed district does not exceed
45 fifty percent of the total capital investment for all
46 proposed projects in the proposed district plan. For
47 the purposes of this subparagraph, "retail business"
48 means any business engaged in the business of selling
49 tangible personal property or taxable services at
50 retail in this state that is obligated to collect state

1 sales or use tax under chapter 423. However, for the
2 purposes of this subparagraph, "retail business" does
3 not include a new lessor.

4 c. If the board denies a proposed district plan,
5 the board shall state the reasons for the denial and
6 the municipality may resubmit the application.

7 d. As part of its approval of a proposed district
8 plan, the board shall establish a commencement date
9 for the district. The commencement date established
10 by the board shall be the first day of the first
11 calendar quarter beginning after the later of the two
12 dates identified for the project that proposed the
13 largest amount of capital investment among all proposed
14 projects in the district pursuant to subsection 2,
15 paragraph "d".

16 e. As part of its approval of a proposed district
17 plan, the board shall, subject to the authorized
18 amounts under section 15J.5, establish maximum amounts
19 of state sales tax revenues or state hotel and motel
20 tax revenues, or both, that may be remitted to a
21 municipality's reinvestment project fund. Such maximum
22 amounts shall be determined based on the financing
23 needs of the proposed project, the economic impact
24 to the state, and the remittance limitations under
25 paragraph "f".

26 f. The total aggregate amount of state sales tax
27 revenues and state hotel and motel tax revenues that
28 may be approved by the board for remittance to all
29 municipalities and that may be transferred to the
30 state reinvestment district fund under section 423.2,
31 subsection 11, or section 423A.6, and remitted to all
32 municipalities having a reinvestment district under
33 this chapter shall not exceed one hundred million
34 dollars.

35 g. If a district plan is approved by the board, the
36 district plan, along with the municipality's resolution
37 and all accompanying materials shall be posted on the
38 economic development authority's internet site for
39 public viewing within ten days of approval by the
40 board.

41 4. Upon receiving the approval of the board, the
42 municipality may adopt an ordinance establishing the
43 district and shall notify the director of revenue of
44 the district's commencement date established by the
45 board no later than thirty days after adoption of the
46 ordinance. The ordinance adopted by the municipality
47 shall include the district's commencement date and a
48 detailed statement of the manner in which the approved
49 projects to be undertaken in the district will be
50 financed, including but not limited to the financial

1 information included in the project plan under
2 subsection 2, paragraph "d". Following establishment
3 of the district, a municipality may use the moneys
4 deposited in the municipality's reinvestment project
5 fund created pursuant to section 15J.7 to fund the
6 development of those projects included within the
7 district plan.

8 5. A municipality may amend the district plan
9 to add or modify projects. However, a proposed
10 modification to a project and each project proposed
11 to be added shall first be approved by the board in
12 the same manner as provided for the original plan. In
13 no case, however, shall an amendment to the district
14 plan result in the extension of the commencement date
15 established by the board. If a district plan is
16 amended to add or modify a project, the municipality
17 shall amend the ordinance, if necessary, to reflect any
18 changes to the financial information required to be
19 included under subsection 4.

20 6. Following establishment of a district, the
21 municipality shall on or before October 1 of each year
22 submit a report to the board detailing all of the
23 following:

24 a. The status of each project undertaken within the
25 district in the previous twelve months.

26 b. An itemized list of expenditures from the
27 municipality's reinvestment project fund in the
28 previous twelve months that have been made related to
29 each project being undertaken within the district.

30 c. The amount of the total project cost remaining
31 for each project being undertaken within the district
32 as of the date the report is submitted.

33 d. The amounts, types, and sources of funding used
34 for each project described in paragraph "a".

35 e. The amount of bonds issued or other indebtedness
36 incurred for each project described in paragraph "a",
37 including information related to the rate of interest,
38 length of term, costs of issuance, and net proceeds.
39 The report shall also include the amounts and types
40 of moneys to be used for payment of such bonds or
41 indebtedness.

42 7. All reports received by the board under
43 subsection 6 shall be posted on the economic
44 development authority's internet site as soon as
45 practicable following receipt of the report. The board
46 shall submit a written report to the governor and the
47 general assembly on or before January 15 of each year.
48 The report shall summarize and analyze the information
49 submitted by municipalities under subsection 6.

50 Sec. 5. NEW SECTION. 15J.5 New state tax revenue

1 **calculations.**

2 1. *a.* The department shall calculate quarterly
3 the amount of new state sales tax revenues for each
4 district established in the state to be deposited
5 in the state reinvestment district fund created in
6 section 15J.6, pursuant to section 423.2, subsection
7 11, paragraph "b", subject to remittance limitations
8 established by the board pursuant to section 15J.4,
9 subsection 3.

10 *b.* The amount of new state sales tax revenue for
11 purposes of paragraph "a" shall be the product of
12 the amount of sales subject to the state sales tax
13 in the district during the quarter from new retail
14 establishments times four percent.

15 2. *a.* The department shall calculate quarterly the
16 amount of new state hotel and motel tax revenues for
17 each district established in the state to be deposited
18 in the state reinvestment district fund created in
19 section 15J.6, pursuant to section 423A.6, subject
20 to remittance limitations established by the board
21 pursuant to section 15J.4, subsection 3.

22 *b.* The amount of new state hotel and motel tax
23 revenue for purposes of paragraph "a" shall be the
24 product of the amount of sales subject to the state
25 hotel and motel tax in the district during the quarter
26 from new lessors times the state hotel and motel tax
27 rate imposed under section 423A.3.

28 3. Each municipality that has established a
29 district under this chapter shall assist the department
30 in identifying new retail establishments in the
31 district that are collecting state sales tax and new
32 lessors in the district that are collecting state hotel
33 and motel tax. This process shall be ongoing until the
34 municipality ceases to utilize state sales tax revenue
35 or state hotel and motel tax revenue under this chapter
36 or the district is dissolved.

37 **Sec. 6. NEW SECTION. 15J.6 State reinvestment**
38 **district fund.**

39 1. A state reinvestment district fund is
40 established in the state treasury under the control
41 of the department consisting of the new state sales
42 tax revenues collected within each district and
43 deposited in the fund pursuant to section 423.2,
44 subsection 11, paragraph "b", and the new state hotel
45 and motel tax revenues collected within each district
46 and deposited in the fund pursuant to section 423A.6.
47 Moneys deposited in the fund are appropriated to the
48 department for the purposes of this section. Moneys in
49 the fund shall only be used for the purposes of this
50 section.

1 2. A district account is created within the fund
2 for each district created by a municipality under this
3 chapter.

4 3. The department shall deposit the moneys
5 described in subsection 1 that were collected in
6 a quarter beginning on or after the district's
7 commencement date into the appropriate district account
8 in the fund.

9 4. All moneys in each district account within the
10 fund shall be remitted quarterly by the department to
11 the municipality that established the district for
12 deposit in the municipality's reinvestment project fund
13 established pursuant to section 15J.7.

14 5. The department shall adopt rules for the
15 administration of the department's duties under
16 this chapter, including the remittance of moneys to
17 municipalities.

18 **Sec. 7. NEW SECTION. 15J.7 Reinvestment project**
19 **fund.**

20 1. State sales tax revenue and state hotel and
21 motel tax revenue remitted by the department to
22 a municipality pursuant to section 15J.6 shall be
23 deposited in a reinvestment project fund of the
24 municipality and shall be used to fund projects within
25 the district from which the revenues were collected.
26 If the municipality determines that the revenue
27 accruing to the reinvestment project fund exceeds the
28 amount necessary for these purposes, the excess moneys
29 that are remittances received under section 15J.6 and
30 all interest in the fund attributable to such excess
31 amounts shall be remitted by the municipality to the
32 department for deposit in the general fund of the
33 state.

34 2. In addition to the moneys received pursuant
35 to section 15J.6, a municipality may deposit in the
36 reinvestment project fund any other moneys lawfully at
37 the municipality's disposal, including but not limited
38 to local sales and services tax receipts collected
39 under chapter 423B if such use is a purpose authorized
40 for the municipality under chapter 423B.

41 3. The records of the municipality related to the
42 district and the reinvestment project fund are subject
43 to audit pursuant to section 11.6.

44 4. *a.* Moneys from any source deposited into
45 the reinvestment project fund shall not be expended
46 for or otherwise used in connection with a project
47 that includes the relocation of a commercial or
48 industrial enterprise not presently located within the
49 municipality.

50 *b.* For the purposes of this subsection,

1 "relocation" means the closure or substantial reduction
2 of an enterprise's existing operations in one area of
3 the state and the initiation of substantially the same
4 operation in the same county or a contiguous county in
5 the state. "Relocation" does not include an enterprise
6 expanding its operations in another area of the state
7 provided that existing operations of a similar nature
8 are not closed or substantially reduced.

9 5. Upon dissolution of a district pursuant to
10 section 15J.8, if moneys remitted to the municipality
11 pursuant to section 15J.6 remain in the municipality's
12 reinvestment project fund and those moneys are not
13 necessary to support completion of a project in the
14 dissolved district, such amounts and all interest
15 remaining in the fund that was earned on such amounts
16 shall be remitted by the municipality to the department
17 for deposit in the general fund of the state.

18 6. Upon dissolution of a district pursuant to
19 section 15J.8, moneys remaining in the reinvestment
20 project fund that were deposited pursuant to subsection
21 2 and all interest remaining in the fund that was
22 earned on such amounts shall be deposited in the
23 general fund of the municipality.

24 Sec. 8. NEW SECTION. 15J.8 End of deposits —
25 district dissolution.

26 1. As of the date twenty years after the district's
27 commencement date, the department shall cease to
28 deposit state sales tax revenues and state hotel
29 and motel tax revenues into the district's account
30 within the fund, unless the municipality dissolves the
31 district by ordinance prior to that date. Following
32 the expiration of the twenty-year period, the district
33 shall be dissolved by ordinance of the municipality
34 adopted within twelve months of the conclusion of the
35 twenty-year period.

36 2. If the municipality dissolves the district by
37 ordinance prior to the expiration of the twenty-year
38 period specified in subsection 1, the municipality
39 shall notify the director of revenue of the dissolution
40 as soon as practicable after adoption of the ordinance,
41 and the department shall, as of the effective date
42 of dissolution, cease to deposit state sales tax
43 revenues and state hotel and motel tax revenues into
44 the district's account within the fund.

45 Sec. 9. Section 423.2, subsection 11, paragraph
46 b, Code 2013, is amended by adding the following new
47 subparagraph:

48 NEW SUBPARAGRAPH. (6) Beginning the first day
49 of the calendar quarter beginning on the reinvestment
50 district's commencement date, subject to remittance

1 limitations established by the economic development
2 authority board pursuant to section 15J.4, subsection
3 3, transfer to a district account created in the state
4 reinvestment district fund for each reinvestment
5 district established under chapter 15J, the amount of
6 new state sales tax revenue, determined in section
7 15J.5, subsection 1, paragraph "b", in the district,
8 that remains after the prior transfers required
9 under this paragraph "b". Such transfers shall cease
10 pursuant to section 15J.8.

11 Sec. 10. Section 423A.6, unnumbered paragraph 1,
12 Code 2013, is amended to read as follows:

13 The director of revenue shall administer the
14 state and local hotel and motel tax as nearly as
15 possible in conjunction with the administration of the
16 state sales tax law, except that portion of the law
17 which implements the streamlined sales and use tax
18 agreement. The director shall provide appropriate
19 forms, or provide on the regular state tax forms,
20 for reporting state and local hotel and motel tax
21 liability. All moneys received or refunded one hundred
22 eighty days after the date on which a city or county
23 terminates its local hotel and motel tax and all moneys
24 received from the state hotel and motel tax shall be
25 deposited in or withdrawn from the general fund of
26 the state. Beginning the first day of the calendar
27 quarter beginning on the reinvestment district's
28 commencement date, the director of revenue shall,
29 subject to remittance limitations established by
30 the economic development authority board pursuant to
31 section 15J.4, subsection 3, transfer from the general
32 fund of the state to a district account created in the
33 state reinvestment district fund for each reinvestment
34 district established under chapter 15J, the new state
35 hotel and motel tax revenue, determined in section
36 15J.5, subsection 2, paragraph "b", in the district.
37 Such transfers shall cease pursuant to section 15J.8.>

38 2. By renumbering, redesignating, and correcting
39 internal references as necessary.

COMMITTEE ON WAYS AND MEANS
JOE BOLKCOM, CHAIRPERSON